

ABSTRACT

This research is the pioneer paper to examine the impact of school ties between auditors and board of directors to earnings quality. By using samples of 619 firm-year observations from listed firms on the Indonesian Stock Exchange from 2013 to 2016. A two-stage model is used to address earnings quality which used the model from Dechow and Dichev (2002) modified by McNichols (2002), then continued to establish the main analysis on the second stage. The analysis technique used in this research is Ordinary Least Square Regression analysis model with robust processed with STATA 14.0 software. The result of the findings show that the school ties between auditors and board of directors is negatively and significantly related to earnings quality. The results indicate that form of social ties such as school ties as the one factor that can impair the quality of financial report.

Keywords : School Ties, Auditors, Board of Directors, Earnings Quality